

Join the Community Conversation!

Residents of Morgan Hill have made it very clear: we like where we live. And our city government wants to keep it that way. That means as a community we have to make important choices now that will continue to make an impact for many years to come.

However, the City is faced with the budget challenge that the local economy is not generating sufficient revenue to sustain current services on an ongoing basis. The City's costs, especially for employee benefits, have increased significantly.

Because the City has prudently built up financial reserves over the previous decade, Morgan Hill is in a position to carefully manage a response to this challenge without resorting to dramatic service level reductions or immediately increasing taxes. However, unless there are long-term structural changes to bring the budget into balance, the current level of spending on basic city services is not sustainable. Over the past three years, General Fund reserves have been used to balance the budget even after previous aggressive expenditure reductions. The ongoing annual deficit is approximately \$1.5 million per year.

After nearly a decade of steadily building reserves, the following series of critical adverse factors have caused us to begin consuming reserves at an unsustainable rate: the lingering economic slowdown, substantial cost increases (especially for employee retirement), and changes in the City's revenue base. Based on currently foreseeable trends over the next five years, if no action is taken, the General Fund reserves will fall below the City's reasonable 25% reserve target level to a level of 19% by June 2009.

The fiscal squeeze is real, and it must be addressed if the community's priorities for services and governance are to be met.

What kind of community services do we want and how should we pay for them? The City Council is launching a year-long "community conversation" to answer this question and we want your voice to be included.

Beginning early next year, city council members, city employees and a number of Morgan Hill residents will be coming to your neighborhood, your school, your business group or your service club to lead a series of structured conversations about the budget choices we face. What kind of services should our city provide? How should we pay for them? What kind of role will residents play in city government in years to come? Only you can provide answers to these questions, and your input is essential as the city council makes decisions that affect us all.

If you would like more information about how you or your organization can be a part of this community conversation, please contact us at citytalk@morganhill.ca.gov or at 779-7271.